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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 24, 1999

APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUE990352

For approval of tariff riders

ORDER APPROVING TARIFF

Appalachian Power Company, d/b/a/ American Electric Power ("AEP" or "the Company") filed an amended application on June 9, 1999, for approval of two riders to its tariff: Schedule ECS (Emergency Curtailable Service Rider) and Schedule PCS (Price Curtailable Service Rider).

Last summer, the Company filed, and the Commission approved, an application for immediate implementation of a Temporary Emergency Curtailable Service Rider. That rider expired under its terms on September 30, 1998. According to AEP, that temporary rider was a way to "address a unique and temporary capacity situation which has arisen in the Midwestern United States."¹

AEP proposes to offer Schedule ECS and Schedule PCS as permanent riders. Schedule ECS would be available during both summer and winter seasons. Schedule PCS would be available during all four seasons.

¹ Application of Appalachian Power Company, For approval of tariff rider, Case No. PUE980335, Final Order (July 20, 1998).

As justification for its proposed riders, AEP cites "[c]hanges in electric load and use patterns, combined with uncertainties created by industry restructuring" which "present ongoing risks relating to system load requirements." The Company states that "these risks warrant the implementation of permanent riders to Schedule LPS-TOD which will provide an added measure of reliability" The Schedule ECS rider, according to AEP, "will be offered as a means of mitigating generation-related emergency operating conditions in order to minimize service interruptions to the Company's firm service customers." AEP's application requests authority to implement both riders immediately "[i]n order for the riders to provide an additional measure of system reliability during the summer of 1999"

AEP proposes that compensation to customers for curtailed kWh under the provisions of Schedules ECS and PCS will be treated as purchased power for accounting and fuel factor purposes.

NOW THE COMMISSION, upon consideration of the Company's amended application, is of the opinion that the proposed curtailable service riders shall be approved, as herein modified and subject to the conditions stated.

We find that AEP's proposed treatment of compensation and credits to customers for curtailment under the riders as purchased power for accounting and fuel factor purposes presents an issue as to whether such costs represent costs within the

Company's definitional framework of fuel expenses. Accordingly, this matter warrants further consideration in a proceeding with participation from the Staff and interested parties, and we will therefore not permit the proposed accounting and fuel factor treatment for curtailment compensation and credits to be implemented at this time. We will not, however, delay implementation of the riders.

The Company's application seeks immediate implementation of the riders on a permanent basis. We will allow the riders to be implemented, as modified herein, but on a temporary basis only. The riders shall terminate on June 1, 2000, unless extended by the Commission. By subsequent order, we will create a proceeding to determine whether the curtailment riders should be made permanent, and the appropriate accounting and fuel factor treatment for curtailment compensation and credits. The application indicates that the proposed riders are now necessary to ensure system reliability. AEP also points to "uncertainties created by industry restructuring." Because of the apparent urgencies cited in the Company's application that may inhibit the utility's statutory duty to provide adequate service, we cannot find it in the public interest to delay implementation of the tariffs.

Finally, we note that the prospect of generation-related seasonal emergencies and electric industry restructuring are not sudden phenomena. We approved an emergency rider for the Company last summer, and the Virginia Electric Utility

Restructuring Act was enacted in March of this year. Thus, the Company has had ample time to articulate any legal and factual bases to support its application filed this month. We expect utilities to plan ahead in presenting tariff proposals of this nature so that we may consider such filings thoroughly and with notice to and participation from affected parties prior to implementation of the tariff changes. It appears, however, the urgencies presented by AEP do not permit any delay in the tariff's implementation. Accordingly,

IT IS ORDERED THAT:

- (1) This matter is docketed and assigned Case No. PUE990352;
- (2) Schedule ECS shall be implemented as modified herein;
- (3) Schedule PCS shall be implemented as modified herein;
- (4) The Company shall forthwith file revised tariffs for Schedules ECS and PCS that eliminate the last sentence of the "Monthly Credit" section on Sheet Nos. 22-3 (ECS) and 23-3 (PCS), and that are otherwise consistent with the terms of this order;
- (5) This matter is continued generally.